

Financial Planning for those receiving a Personal Injury Settlement – Case Study

James Smith, age 50, married with two grown up children.

Settlement of £150,000. Serious injury to knee resulting in knee replacement, unable to continue in previous occupation. Likely to retrain as a driving instructor.

Challenges

1. No previous experience of investing and worried about losing all of the money.
2. Unsure whether they have enough money to maintain their previous lifestyle.
3. Will it be possible to retire at the age of 65 and maintain current lifestyle?
4. Confused by the vast number of investments available and unsure where to turn to for advice.
5. How much should remain in cash deposits and how much should be invested for the long term?
6. Anxious to know that Mrs Smith would be adequately provided for in the event of his death.

What We Did

1. Agreed assumptions regarding future earning capacity in his new job.
2. Calculated the cost of their desired future lifestyle, both before and after retirement.
3. Established client's tolerance to risk using a sophisticated risk profiling system. Calculated how much risk they needed to take with their investments in order for them to maintain their existing lifestyle into and beyond retirement.
4. Provided reassurance regarding the potential for short term loss. Clients confirmed that they were comfortable with this level of risk.
5. Provided advice as to how much should be retained in cash deposits to cover short term needs and improved interest rates by £540 per annum net of tax.
6. Remaining monies invested using the low cost BRB investment process. Investments consolidated together making everything organised and easy to understand. Ongoing investment costs were £550 per annum lower than typical alternatives.
7. Once earned income had commenced, advised a £10,000 lump sum contribution to a private pension. Resulted in income tax saving of £2,000 via tax relief. May be repeated in future years.
8. Illustrated the position for James' wife in the event of his death. Advised James to take out additional life assurance cover at a cost of £25.00 per month (in trust to remove from his estate). Provided him with the required reassurance that his spouse would be adequately provided for in the event of his death.
9. Advised clients to make a will and referred back to their solicitor.

Results

1. Gave Mr & Mrs Smith the peace of mind that they had a clear strategy to maintain their lifestyle into and beyond retirement.
2. Provided the peace of mind that their capital was not exposed to any more risk than they could tolerate.
3. Reassurance that Mrs Smith would be adequately provided for in the event of James' death.